

Fleetcor Technologies Inc. NYSE: FLT		Recommendation: BUY
Target Price: \$264	Market Cap: \$15.47B	P/E Ratio: 11.6
Current Price: \$205	Dividend Yield: 0%	EV/EBITDA: 9.6
Stop Loss: 25%	Beta: 1.2	EBITDA Margin: 42.2%
52 Week High/Low: 265.3 / 161.69	ROE: 36.8%	Gross Margin: 77.7%

**Company Background:**

Leading global provider of payment solutions to businesses. Operates in 80 countries with 800,000 business customers. Help businesses improve efficiency and manage expenses by Providing fuel cards, as well as corporate payment solutions and expense management programs. Other items also include Toll cards, lodging cards, gift cards.

**Industry Outlook:**

The overall spending of consumers is increasing, which is helping this sector. While at the same time, inflation and other macroeconomic factors still have an effect. With this, consumers will still turn to a discount retail store to purchase basic needs.

**Investment Thesis:**

- Excellent capital allocation.
- Consistent revenue growth.
- 92% client retention rate.
- Digital payment transition.

**Investment Risks:**

Credit risks as they are involved in some minor lending business, FTC lawsuits could be a hindrance in the business and Fuel price volatility could lower margin.

**Financial Performance**

Sensitivity Analysis and Implied Share Price						
		Discount Rate				
		7.50%	8.00%	8.50%	9.00%	9.50%
Perpetual Growth Rate	1.00%	290.58925	260.22811	233.99855	211.12517	191.01491
	1.50%	311.2093	277.1795	248.09155	222.9567	201.03322
	2.00%	335.57846	296.95612	264.35271	236.47845	212.38731
	2.50%	364.82144	320.3285	283.32407	252.08046	225.36341
	3.00%	400.56287	348.37535	305.74476	270.28281	240.33583

**Valuation: Discounted Cash Flow Analysis**

FLT US Equity IN MILLIONS	Historical Period				Current FY				Projection Period				Projection Period			
	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	
Revenue	\$2,434	\$2,649	\$2,389	\$2,834	\$3,427	\$3,770	\$4,109	\$4,470	\$4,882	\$5,273	\$5,694	\$6,150	\$6,580	\$7,041	\$7,538	
% Growth	8.8%	-9.8%	18.6%	20.9%	10.0%	9.0%	9.0%	9.0%	8.0%	8.0%	8.0%	7.0%	7.0%	7.0%	7.0%	
Cost of Sales	\$488	\$511	\$566	\$560	\$765	\$848	\$925	\$1,008	\$1,098	\$1,186	\$1,281	\$1,384	\$1,481	\$1,584	\$1,695	
% Margin	20.0%	20.0%	21.2%	19.8%	22.3%	22.0%	22.0%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	
Gross Profit	\$1,946	\$2,118	\$1,883	\$2,274	\$2,662	\$2,922	\$3,185	\$3,471	\$3,784	\$4,086	\$4,413	\$4,766	\$5,100	\$5,457	\$5,839	
% Margin	80.0%	80.0%	78.8%	80.2%	77.7%	77.5%	77.5%	77.5%	77.5%	77.5%	77.5%	77.5%	77.5%	77.5%	77.5%	
SG&A Expense	\$572	\$612	\$567	\$748	\$893	\$1,018	\$1,109	\$1,209	\$1,318	\$1,424	\$1,537	\$1,660	\$1,777	\$1,901	\$2,034	
% Margin	23.5%	23.1%	23.8%	26.4%	26.1%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	
R&D Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
% Margin	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Total Operating Expense	\$572	\$612	\$567	\$748	\$893	\$1,018	\$1,109	\$1,209	\$1,318	\$1,424	\$1,537	\$1,660	\$1,777	\$1,901	\$2,034	
% Margin	21.5%	21.1%	23.8%	26.4%	26.1%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	
Dep./Amort	\$275	\$274	\$253	\$284	\$322	\$364	\$428	\$514	\$614	\$719	\$839	\$970	\$1,114	\$1,274	\$1,451	
% Margin	11.30%	10.34%	10.67%	10.02%	9.40%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	
EBIT	\$1,099	\$1,232	\$1,060	\$1,242	\$1,447	\$1,640	\$1,787	\$1,948	\$2,124	\$2,294	\$2,477	\$2,675	\$2,862	\$3,063	\$3,277	
% Margin	45.2%	46.5%	44.4%	43.8%	42.2%	43.5%	43.5%	43.5%	43.5%	43.5%	43.5%	43.5%	43.5%	43.5%	43.5%	
Income Tax Expense	\$284	\$183	\$178	\$269	\$321	\$377	\$411	\$448	\$488	\$528	\$570	\$615	\$658	\$704	\$754	
Effective Tax Rate	25.8%	14.8%	16.8%	21.7%	22.2%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	
NOPLAT	\$815	\$1,049	\$882	\$973	\$1,126	\$1,263	\$1,376	\$1,500	\$1,635	\$1,766	\$1,907	\$2,060	\$2,204	\$2,368	\$2,523	
% Margin	33.5%	39.6%	36.9%	34.3%	32.9%	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%	
Add: D&A	\$275.0	\$274.0	\$255.0	\$284.0	\$322.0	\$363.89	\$427.64	\$513.52	\$614.74	\$719.08	\$839.61	\$970.50	\$1,114.63	\$1,274.87	\$1,451.38	
% Revenue	11.3%	10.3%	10.7%	10.0%	9.4%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	
Less: Capex	\$81.40	\$75.20	\$78.40	\$111.50	\$151.40	\$169.64	\$184.91	\$201.55	\$219.69	\$237.27	\$264.72	\$307.50	\$329.02	\$352.05	\$376.70	
% Revenue	3.34%	2.84%	3.28%	3.93%	4.42%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	
Less: Change in NWC	\$263	\$228	\$323	\$86	\$725	\$500	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	
% Revenue	10.81%	8.59%	13.52%	3.03%	21.16%	13.26%	9.73%	8.93%	8.19%	7.59%	7.02%	6.50%	6.08%	5.68%	5.31%	
FCF	\$746	\$1,021	\$785	\$1,059	\$871	\$857	\$1,079	\$1,212	\$1,357	\$1,498	\$1,621	\$1,761	\$1,906	\$2,099	\$2,274	
% Revenue	30.8%	38.5%	30.8%	37.4%	26.7%	22.7%	26.2%	27.1%	27.8%	28.4%	28.5%	29.0%	29.4%	29.8%	30.2%	

Implied Perpetuity Growth Rate	
Terminal Year FCF	\$2,274
Discount Rate	8.50%
Terminal Value	\$35,687
Perpetuity Growth Rate	2.00%

  

Implied Equity Value and Share Price	
PV of FCF	\$9,423
PV of Terminal Value	\$15,784
Enterprise Value	\$25,207
Less: Debt	\$7,146
Add: Cash & Equivalents	\$1,435
Equity Value	\$19,496
Diluted Shares Outstanding	74
Implied Share Price	\$264.85
Current Price	\$205.00
Margin of Safety	22.45%

## Relative Valuation

Analysis of FLT US Multiples - Premium to Comps										
Current vs 5Y Average Historical Premium										
Metric	Current	Hist Avg	Diff	# SD	3M Trend	Low	Range	High	Implied @ Hist Avg	
Current Price									Multiple	Price (USD)
1) BF P/E	-24%	-19%	-5%	-0.7		-39%		-5%	12.4x	218.47
2) BF EV/EBITDA	-9%	-2%	-7%	-1.2		-18%		12%	10.3x	224.14
3) BF EV/EBIT	0%	0%	0%	--		0%		0%	11.5x	204.07
4) BF EV/Rev	17%	30%	-13%	-1.5		6%		51%	5.7x	235.63
5) LF P/BV	26%	17%	8%	0.6		-12%		48%	5.5x	192.09
View All Comps Below										
Summary of Current Multiples										
Name	2Y Corr	Mkt Cap (USD)	BF P/E	BF EV/EBITDA	BF EV/EBIT	BF EV/Rev	LF P/BV			
11)  FleetCor Technologies Inc		15.11B	11.6x	9.6x	11.5x	5.2x	5.9x			
Current Premium to Comps Mean			-24%	-9%	--	17%	26%			
Mean (Including FLT US)			21.50B	15.2x	10.5x	4.4x	4.7x			
12)  WEX Inc	0.75	7.72B	12.5x	7.5x	9.0x	3.3x	4.7x			
13)  Fiserv Inc	0.65	70.98B	14.9x	11.5x	13.9x	5.1x	2.3x			
14)  Fidelity National Information	0.56	30.88B	8.7x	8.1x	11.0x	3.4x	1.1x			
15)  Shift4 Payments Inc	0.52	6.04B	30.3x	16.0x	35.8x	7.2x	17.4x			
16)  Jack Henry & Associates Inc	0.49	10.80B	28.4x	15.7x	22.1x	5.1x	7.1x			
17)  Toast Inc	0.42	8.97B	--	531.4x	--	2.1x	8.1x			

## ESG

ESG Risk Rating COMPREHENSIVE ?

**18.1** Low Risk

Negligible Low Medium High Severe

0-10 10-20 20-30 30-40 40+

Last Full Update: Oct 14, 2022 ?

Last Update: Oct 16, 2022 ?

Ranking

Industry Group (1st = lowest risk)

Software & Services **201** out of 1063

Universe

Global Universe **2979** out of 15361